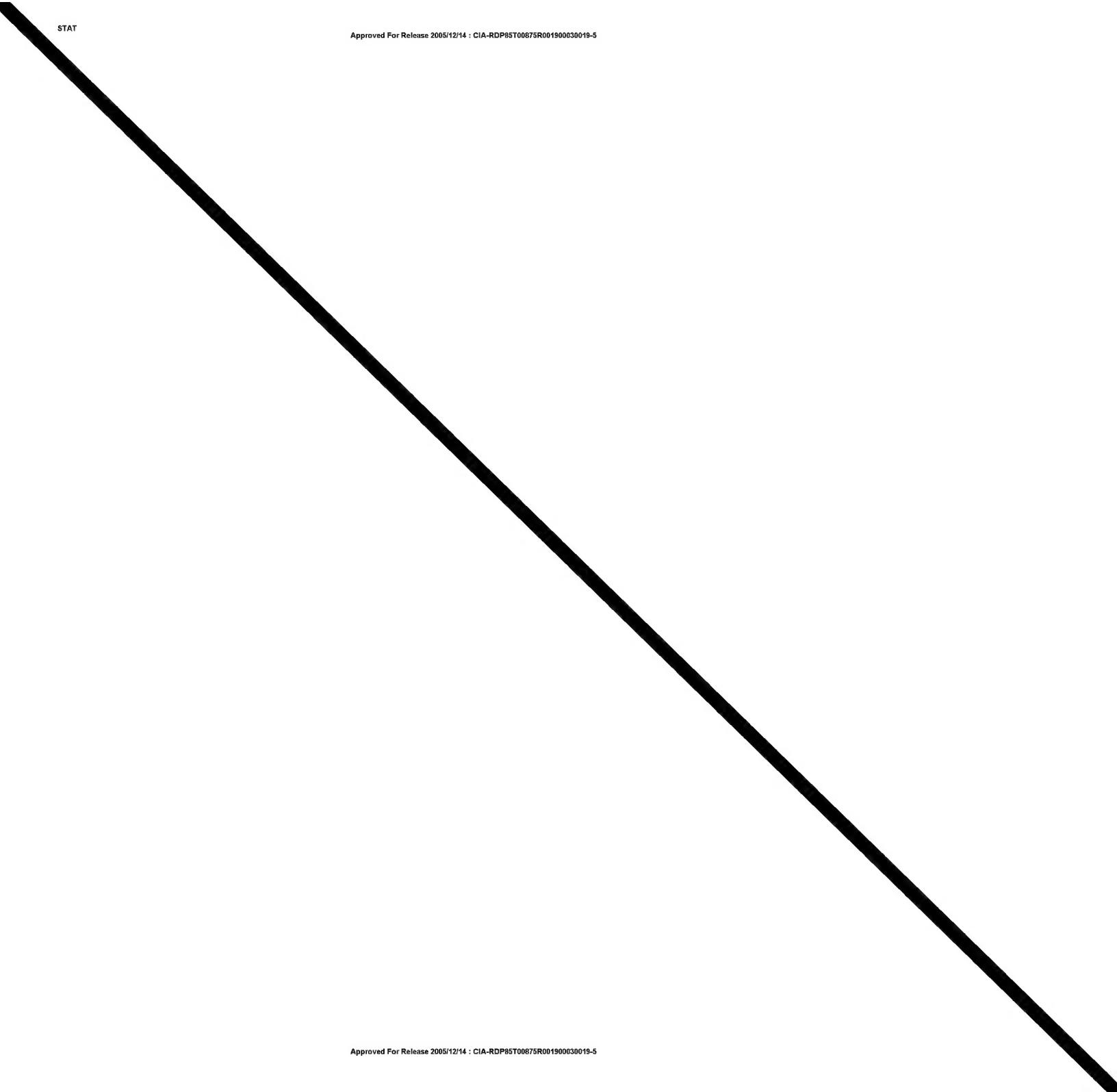


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Approved For Release 2005/12/14 : CIA-RDP85T00875R001900030019-5

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CIA/DER/S-06313A-74

10 July 1974

MEMORANDUM FOR THE RECORD

SUBJECT: A Preliminary Look at the Causes of Inflation
in Japan

The attached tables were sent to Mr. David Klock
at OASIA Research, Treasury.

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Attachment:
As stated

Distribution: (S-6313)A

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Japan: Causes of Inflation

	Wholesale Prices - Percent of total change				
	1972		1973		1974
	1st Half	2nd Half	1st Half	2nd Half	1st Hal
Agriculture	-11	22	27	28	33
Oil	14	3	2	15	61
Other raw materials	-43	27	42	23	12
Manufactures	negl	negl	negl	negl	negl
Labor	122	2	13	9	25
Residual	<u>18</u>	<u>46</u>	<u>16</u>	<u>25</u>	<u>-31</u>
Total	100	100	100	100	100

Change in wholesale prices (%)	.51	5.25	7.96	19.45	11.15
		Final Demand Weighted Prices			
		Percent of total change			

	1972					1973	1974
	1st Half		2nd Half		1st Half	2nd Half	1st Hal
Agriculture	-6	49	34	40			25
Oil	5	4	2	15			36
Other raw materials	-16	38	35	23			7
Imported manufactures	negl	negl	negl	negl			negl
Labor	<u>117</u>	<u>9</u>	<u>29</u>	<u>22</u>			<u>32</u>
Total	100	100	100	100			100
Change in final demand weighted prices	.63	1.50	4.10	8.90			9.90

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TABLE 3 B

**Impact of Changes in Exogenous Prices
on Unit Output Prices in Japan
Partial Sector Results**

1972 First Half

	Sector	Sector Weight	Total	Percent Change in Sector Unit Output Prices			
				Agricultural Prices	Other Raw Material Prices	Crude Oil Prices	Unit Labor Costs
1	AGRICULTURE/FORESTRY	26.73%	-0.000	-0.335	-0.015	0.024	0.335
16 II.C.1	CRUDE, NATURAL GAS	0.12%	2.467	-0.006	-0.016	1.059	0.526
17 II.C.2	REFINED PRODUCTS	5.21%	1.073	-0.003	-0.003	0.849	0.304
18 II.D	EXG. RAW MATERIALS	6.37%	-0.36%	-0.009	-1.717	0.176	0.714
22 III.	PROCESSED FOODS	77.67%	0.293	-0.124	-0.038	0.037	0.430
36 IV.A	TOBACCO	0.97%	0.176	-0.055	-0.008	0.007	0.232
36 IV.B	IRON/STEEL	12.13%	0.397	-0.005	-0.345	0.016	0.611
60 IV.B	NON-FERROUS	0.21%	0.121	-0.007	-0.546	0.030	0.514
61 IV.C	FABRICATED SHAPES	11.35%	0.615	-0.005	-0.164	0.031	0.756
50 V.B	CHEMICALS	18.27%	0.542	-0.026	-0.055	0.074	0.540
50 V.B	BURGER	3.07%	0.729	-0.040	-0.014	0.037	0.756
52 VI.A	FIBERS, YARN	26.46%	0.629	-0.003	-0.421	0.032	0.747
58 VI.C	CLOTHING/FURS	16.60%	0.703	-0.036	-0.017	0.026	0.830
59 VI.D	LEATHER GOODS	1.21%	0.691	-0.041	-0.027	0.023	0.752
63 VII	WOOD PRODUCTS	10.17%	0.587	-0.007	-0.028	0.021	0.676
72 VIII.A	AGRI., INDUSTRIAL	62.13%	0.617	-0.005	-0.029	0.026	0.727
73 VIII.B	ELECTRIC	53.23%	0.521	-0.020	-0.110	0.026	0.533
76 VIII.C	TRANSPORT	69.17%	0.673	-0.077	-0.071	0.024	0.748
82 VIII.D	PRECISION INSTRUMENTS	9.07%	0.712	-0.012	-0.082	0.042	0.784
83 VIII.E	MISC. MANUFACTURE	12.21%	0.651	-0.025	-0.046	0.043	0.673
86 IX	CONSTRUCTION	182.04%	0.538	-0.016	-0.221	0.035	0.738
90 X	UTILITIES	10.82%	0.671	-0.003	-0.063	0.152	0.525
95 XI.A	TRANSPORT	66.17%	0.582	-0.003	-0.106	0.055	0.907
102 XI.B	COMMUNICATION	3.56%	0.821	-0.002	-0.005	0.037	0.322
103 XI.C	WHOLESALE, RETAIL	103.23%	0.736	-0.015	-0.011	0.023	0.727
104 XI.D	PUBLISHING, PRINTING	5.25%	0.694	-0.026	-0.015	0.019	0.334
110 XI.J	OTHER SERVICES	233.61%	0.576	-0.015	-0.022	0.016	0.618
120 LABOR		1.36%	0.0	0.0	0.0	0.0	1.36%

1972 Second Half

	Sector	Sector Weight	Total	Percent Change in Sector Unit Output Prices			
				Agricultural Prices	Other Raw Material Prices	Crude Oil Prices	Unit Labor Costs
1	AGRICULTURE/FORESTRY	7.93%	7.731	0.172	0.042	0.374	
16 II.C.1	CRUDE, NATURAL GAS	3.52%	0.073	0.103	3.227	0.116	
17 II.C.2	REFINED PRODUCTS	1.56%	0.063	0.057	1.359	0.367	
18 II.D	EXG. RAW MATERIALS	12.91%	0.171	11.356	0.139	0.157	
22 III.	PROCESSED FOODS	6.00%	0.628	0.252	0.046	0.102	
36 IV.A	TOBACCO	1.21%	1.198	0.952	0.012	0.252	
36 IV.B	IRON/STEEL	2.60%	0.150	2.290	0.077	0.155	
60 IV.B	NON-FERROUS	0.09%	0.137	3.632	0.086	0.151	
61 IV.C	FABRICATED SHAPES	1.27%	0.109	0.955	0.053	0.162	
50 V.B	CHEMICALS	1.13%	0.523	0.381	0.127	0.121	
50 V.B	BURGER	1.24%	0.704	0.226	0.063	0.167	
52 VI.A	FIBERS, YARN	1.62%	1.372	0.162	3.755	0.165	
58 VI.C	CLOTHING/FURS	1.06%	0.714	0.126	0.048	0.133	
59 VI.D	LEATHER GOODS	1.62%	1.224	0.170	0.068	0.166	
63 VII	WOOD PRODUCTS	2.17%	1.744	0.188	0.064	0.140	
72 VIII.A	AGRI., INDUSTRIAL	0.97%	0.100	0.059	0.066	0.160	
73 VIII.B	ELECTRIC	1.35%	1.172	0.789	0.085	0.151	
76 VIII.C	TRANSPORT	0.93%	0.161	0.043	0.049	0.165	
82 VIII.D	PRECISION INSTRUMENTS	0.20%	0.746	0.562	0.037	0.173	
83 VIII.E	MISC. MANUFACTURE	1.02%	0.492	0.106	0.073	0.150	
86 IX	CONSTRUCTION	1.57%	0.277	1.145	0.057	0.163	
90 X	UTILITIES	0.72%	0.566	0.293	0.260	0.116	
102 XI.B	TRANSPORT	0.46%	0.063	0.107	0.036	0.209	
103 XI.C	COMMUNICATION	0.27%	0.049	0.015	0.012	0.131	
104 XI.D	WHOLESALE, RETAIL	0.37%	0.097	0.073	0.040	0.160	
110 XI.J	PUBLISHING, PRINTING	0.70%	0.481	0.197	0.025	0.186	
120 LABOR		0.81%	0.307	0.105	0.026	0.136	
		0.38%	0.0	0.0	0.0	0.0	0.38%

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TABLE 3B
ContinuedImpact of Changes in Exogenous Prices
on Unit Output Prices in Japan
Partial Sector Results

1973 First Half

		Total	Percent Change in Sector Unit Output Prices			
			Agricultural prices	Other raw material prices	Crude oil prices	Unit labor costs
1	AGRICULTURE/FORESTRY	16,877	13.977	9.300	0.946	0.593
16	II.C.1	CRUDE, NATURAL GAS	6,380	0.187	0.283	0.520
17	II.C.2	REFINED PRODUCTS	2,370	0.123	0.146	1.482
18	II.I	EXG. RAW MATERIALS	28,120	0.131	26.745	0.143
22	III	PROCESSED FOODS	8,492	0.016	0.641	0.051
30	III.I	TOBACCO	2,685	2.129	0.132	0.013
38	IV.A	IRON, STEEL	7,075	0.296	0.744	0.097
40	IV.D	NON-FERROUS	10,497	0.286	0.939	0.095
61	IV.C	FABRICATED SHAPES	3,057	0.196	2.411	0.058
63	V.A	CHEMICALS	3,053	2.026	0.917	0.161
50	V.B	RUBBER	3,598	1.516	0.579	0.979
52	VI.A	FIBERS, YARN	6,243	2.506	0.361	0.069
58	VI.C	CLOTHING FIBS	3,212	1.391	0.715	0.046
59	VI.D	LEATHER GOODS	6,203	2.363	0.457	0.053
63	VII	WOOD PRODUCTS	5,068	3.351	0.673	0.054
72	VIII.A	AGRI., INDUSTRIAL	3,202	0.212	1.667	0.068
73	VIII.R	ELECTRIC	3,388	0.336	1.945	0.079
76	VIII.C	TRANSPORT	7,170	0.276	1.933	0.064
82	VIII.D	PRECISION INSTRUMENTS	1,269	0.478	1.369	0.051
83	VIII.E	MISC. MANUFACTURE	1,003	0.355	0.776	0.070
88	IX	CONSTRUCTION	5,376	0.531	3.678	0.075
90	X	UTILITIES	2,058	0.129	0.719	0.297
95	XI.A	TRANSPORT	2,073	0.123	0.272	0.174
102	XI.B	COMMUNICATION	1,694	0.095	0.029	0.013
103	XI.C	WHOLESALE, RETAIL	1,720	0.132	0.237	0.046
104	XI.D	PUBLISHING, PRINTING	2,703	0.934	0.273	0.023
110	XI.J	OTHER SERVICES	2,083	0.597	0.379	0.026
120	LABOR		2,719	0.0	0.0	0.0

1973 Second Half

		Total	Percent Change in Sector Unit Output Prices			
			Agricultural prices	Other raw material prices	Crude oil prices	Unit labor costs
1	AGRICULTURE/FORESTRY	36,355	33.355	0.312	0.335	1.314
16	II.C.1	CRUDE, NATURAL GAS	75,659	0.404	0.377	0.775
17	II.C.2	REFINED PRODUCTS	12,416	0.339	0.222	0.021
18	II.I	EXG. RAW MATERIALS	37,700	0.918	31.569	0.329
22	III	PROCESSED FOODS	21,441	17.907	0.363	1.471
30	III.I	TOBACCO	6,036	9.754	0.192	0.278
38	IV.A	IRON, STEEL	12,439	0.568	8,150	1.282
40	IV.B	NON-FERROUS	17,225	0.733	12.193	2.052
61	IV.C	FABRICATED SHAPES	7,561	0.510	0.558	1.296
63	V.A	CHEMICALS	8,853	2.800	1.379	1.957
50	V.B	RUBBER	8,795	0.177	0.357	1.501
52	VI.A	FIBERS, YARN	10,822	6.769	0.546	1.206
58	VI.C	CLOTHING FIBS	7,729	3.787	0.675	0.317
59	VI.D	LEATHER GOODS	10,457	6,386	0.637	1.133
63	VII	WOOD PRODUCTS	12,267	8.051	0.710	1.167
72	VIII.A	AGRI., INDUSTRIAL	6,276	0.585	2.077	1.039
73	VIII.R	ELECTRIC	6,987	0.924	2.257	1.042
76	VIII.C	TRANSPORT	8,233	0.759	2.232	0.937
82	VIII.D	PRECISION INSTRUMENTS	6,370	1.316	2.042	0.883
83	VIII.E	MISC. MANUFACTURE	7,540	2.611	1.154	1.733
88	IX	CONSTRUCTION	10,613	1.857	3.363	1.407
90	X	UTILITIES	4,159	0.343	1.979	0.156
95	XI.A	TRANSPORT	5,677	0.338	0.611	2.210
102	XI.B	COMMUNICATION	3,120	0.261	0.135	0.221
103	XI.C	WHOLESALE, RETAIL	3,918	0.517	0.242	0.242
104	XI.D	PUBLISHING, PRINTING	6,050	2.556	0.411	0.603
110	XI.J	OTHER SERVICES	6,613	1.038	0.597	0.565
120	LABOR		4,368	0.0	0.0	0.0

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TABLE 3B
Continued -Impact of Changes in Exogenous Prices
on Unit Output Prices in Japan
Partial Sector Results1974 First Half*

		Total	Percent Change in Sector Unit Output Prices DUE TO CHANGES IN			
			Agricultural Prices	Other Raw Materials Prices	Crude Oil Prices	Unit Labor Costs
100	AGRICULTURE/FORESTRY	26,376	27.516	0.173	2.742	1.095
101	CRUDE, NATURAL GAS	120,661	0.327	0.176	117.786	2.404
102	REFINED PRODUCTS	62,423	0.279	0.075	68.622	1.463
103	EXGR. PAW MATERIALS	29,555	0.737	0.153	8.916	3.405
104	PROCESSED FOODS	17,703	12.317	0.126	3.030	2.120
105	TOBACCO	8,172	0.611	0.067	0.771	1.121
106	IRON/STEEL	21,068	0.468	2.526	5.160	2.072
107	NON-FERROUS	15,146	0.500	0.749	9.397	3.213
108	FABRICATED SHAPES	8,474	0.615	0.109	3.436	3.435
109	CHEMICALS	13,663	2.217	0.451	8.173	2.327
110	METALS	11,193	3.252	0.280	6.116	3.336
111	FIBERS, YARN	12,372	5.128	0.186	3.566	3.403
112	CLOTHING FAB.	7,709	2.269	0.121	2.723	3.462
113	LEATHER GOODS	11,740	0.369	0.232	3.134	3.515
114	IMPROD. PRODUCTS	13,238	6.668	0.249	3.210	3.106
115	AGRI., INDUSTRIAL	7,561	0.671	0.623	2.863	3.403
116	ELECTRIC	7,850	0.763	0.976	2.925	3.226
117	TRANSPORT	7,596	0.211	0.753	2.639	3.408
118	PRECISION INSTRUMENTS	7,823	1.032	0.620	2.635	3.603
119	HISC. MANUFACTURE	10,383	2.063	0.391	6.740	3.168
120	CONSTRUCTION	10,212	1.165	1.731	3.063	3.463
121	UTILITIES	19,271	0.278	0.353	16.142	2.468
122	TRANSPORT	10,627	0.273	0.151	6.372	3.203
123	COMMUNICATION	4,266	0.211	0.046	0.721	3.628
124	WHOLESALE, RETAIL	6,518	0.412	0.276	2.538	3.603
125	PUBLISHING, PRINTING	7,710	2.323	0.142	1.670	3.201
126	OTHER SERVICES	5,370	1.327	0.188	1.556	2.911
127	LABOR	6,899	0.0	0.0	0.0	6.900

*Based on price changes through April.

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TABLE 5

**Impact of Recent Oil Price Increase
on Unit Output Prices in Japan
Complete Sector Results**

		SECTOR	PERCENT CHANGE IN SECTOR UNIT WEIGHT	OUTPUT PRICES
2	I.A	FRUITS, CROPS TYPE A	14.575	2.313
3	I.B	FRUITS, CROPS TYPE B	0.076	3.273
4	I.C	LIVESTOCK, EDIBLE	3.305	2.461
5	I.D	LIVESTOCK, OTHER	0.116	2.401
6	I.E	LUMBERING	0.395	2.099
7	I.F	FISHERIES	5.769	4.703
10	II.A.1	FERROUS	0.074	5.894
11	II.A.2	NON-FERROUS	0.257	4.345
13	II.B.1	LUMP	0.250	3.158
24	II.B.2	COKE, COAL PRODUCTS	0.440	5.830
16	II.C.1	CRUDE, NATURAL GAS	0.120	244.149
17	II.C.2	REFINED PRODUCTS	5.216	90.990
18	II.D	OTHER MINERALS	0.049	13.224
19	II.D.1	CERAMICS	3.304	7.914
23	II.I.A	MEAT, MEAT PRODUCTS	12.858	2.662
25	II.I.A.2	MARINE PRODUCTS	9.178	3.836
22	II.I.C	GRAINS	17.078	2.822
32	II.I.G	OTHER EDIBLES	25.419	3.465
33	II.I.H	BEVERAGES	12.959	1.602
34	II.I.I	TOBACCO	9.977	0.846
37	IV.A.1	PIG IRON, INGOTS	-0.956	6.127
38	IV.A.2	MILL PRODUCTS	13.087	4.733
60	IV.B	NON-FERROUS	-0.215	4.305
61	IV.C	FABRICATED SHAPES	13.264	3.191
64	V.A.1	PETRO- OR BASIC	4.612	11.771
65	V.A.2	SYN FIBER FEEDSTOCK	2.072	9.550
66	V.A.3	OTHER	11.644	5.047
50	V.B	RUBBER	3.077	4.297
53	VI.A.1	NATURAL	0.679	2.693
54	VI.A.2	SYNTHETIC	0.530	6.118
55	VI.B	FABRICS	23.237	3.867
58	VI.C	CLOTHING, FURS	16.401	2.858
59	VI.D	LEATHER GOODS	1.219	3.118
64	VII.A	FURNITURE	7.046	2.484
65	VII.B	LUMBER	1.219	2.508
66	VII.C	PULP PAPER	1.610	4.240
68	VII.D.1	PACKAGING	0.099	4.097
69	VII.D.2	OFFICE SUPPLIES	0.290	2.792
72	VIII.A	ACRIL. INDUSTRIAL	62.131	2.651
73	VIII.B	ELECTRIC	53.627	2.693
76	VIII.C	TRANSPORT	60.376	2.465
32	VIII.D	PRECISION INSTRUMENTS	9.093	2.335
83	VIII.E	MISC. MANUFACTURE	12.219	5.516
87	IX.A	CIVIL ENGINEERING	67.083	4.328
88	IX.B	BUILDING	114.859	3.406
91	X.A	GAS	1.494	20.676
92	X.B	ELECTRIC POWER	5.072	13.941
93	X.C	WATER, SEWAGE	3.862	5.320
95	XI.A	TRANSPORT	64.178	5.866
102	XI.B	COMMUNICATION	3.561	0.756
103	XI.C	WHOLESALE, RETAIL	103.235	2.434
104	XI.D	PUBLISHING, PRINTING	5.228	1.834
105	XI.E	BANKING	24.333	0.535
107	XI.G	REAL ESTATE	55.906	0.551
108	XI.H	RENTALS	0.367	0.463
112	XI.J.2	RESEARCH	1.049	1.723
113	XI.J.3	PUBLIC SERVICES	65.182	1.735
116	XI.J.6	OTHER	82.628	1.939
118	XII	UNDISTRIBUTED	4.142	2.114
Total Change Weighted by Gross Final Demand = 3.5336				

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Japan: Import Prices Trends*
(December 1971=100)

	1972		1973		1974
	June	Dec	June	Dec	April
Foodstuffs	99.7	106.0	118.2	152.0	188.3
Industrial raw materials	98.7	106.7	126.8	157.0	177.6
Oil	102.8	105.5	109.3	187.4	405.5

* Unit value in yen.

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Japan: Import Price Trends
 for Selected Commodities*
 (December 1971=100)

	1972		1973		1974
	June	Dec	June	Dec	April
Wheat	95.7	122.7	139.0	217.7	303.2
Corn	97.7	105.9	118.4	181.5	217.5
Soybeans	101.3	99.2	131.9	154.5	185.3
Wool	129.4	205.5	294.6	366.3	326.5
Cotton	101.9	103.8	88.1	120.6	149.2
Iron Ore	93.7	94.9	82.5	104.5	104.7
Iron and Steel					
Scrap	103.1	123.9	164.1	240.0	257.2
Non-ferrous					
ores	97.5	99.4	109.4	151.0	178.4
Hides and					
skins	152.3	164.3	118.7	189.2	199.8
Natural					
rubber	93.2	96.7	128.7	193.0	237.0
Logs	99.2	107.9	154.8	159.1	195.6
Coal	119.2	111.7	103.9	122.5	160.3

*Unit value in yen.

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Japan: Trends in Plant Capacity
(change over previous year)

	Manufacturing	Iron & Steel	Non-Ferrous Metals Products	Machinery	Chemicals	Textiles	Rubber Products
1966	6.8	10.4	10.3	4.1	10.0	4.7	4.4
1967	12.3	17.0	11.4	17.8	11.5	5.7	6.9
1968	12.0	10.2	17.5	16.2	18.7	4.2	16.6
1969	15.0	14.4	17.6	24.9	13.1	4.6	19.1
1970	15.3	14.1	16.2	20.3	18.5	6.9	12.2
1971	8.6	10.2	10.7	8.4	15.2	4.1	11.1
1972	5.4	8.3	10.4	6.2	8.8	-3.1	8.1
1973	8.9	8.9	10.8	12.4	5.1	1.6	14.9

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Japan: Trends in Fixed Investment

Percentage Change from Corresponding Period of Previous Year

	<u>Private Fixed Investment</u>
1968	24.9
1969	19.5
1970	14.4
1971	3.1
1972	8.0
1973	18.9
1973 I	17.4
1973 II	16.7
1973 III	20.1
1973 IV	20.7

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